



APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
PARAGUAY

IPF:(1992-96) \$ 5 185 000

(PAR/92/015) - Support to the Sectoral Investment Programme

Date of approval by the AC: ^{1/}	10 March 1993
Expected duration:	45 months
Proposed executing agency:	UNDP/OPS
Government implementing agency:	National Economic Team
Government cost sharing:	\$8 900 000
Total UNDP budget:	\$8 900 000

Project background

Paraguay underwent an economic crisis during the 1980s which manifested itself in macro-economic imbalances, erratic growth rates and debt payments in arrears. A period of both economic and political transition started in 1989 when a new democratic government took power. Adjustment-oriented economic policies adopted by this government have permitted an economic stabilization as of 1991, trade liberalization, integration in the MERCOSUR, as well as a solution to the external debt problem in 1992. However, despite stabilization, savings and investment rates have remained short of their established goals to allow sustainable economic growth. Further, a shortfall in the domestic investments has failed to generate adequate levels of employment and income.

In order to promote savings and investments and to stimulate the private sector activities, the Government has defined a new programme of economic reform targeted to transform the productive and financial sectors. In this context, and as a result of the upstream dialogue with the Government in the framework of the project (PAR/90/006), UNDP has been providing support to the Government in the formulation of two IDB loans (727/OC-PR \$70 million and 728/OC-PR \$11,5 million) aimed at financing a Sectoral Investment Programme for the transformation of the productive and financial sectors. The present project proposal falls within the priorities defined by the Government of Paraguay for the international technical cooperation, and corresponds particularly to one of the areas of concentration of the Country Programme for the Fifth Cycle: Strengthening of the Public Sector.

^{1/} This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

Description of project

The long-term object of the project is to establish an appropriate environment for increasing levels of savings and investments in the public and private sectors, as well as flows of foreign investment.

The immediate objectives of the project are to: (a) modernise the regulatory framework of investments through elimination of restrictions to foreign investment and an adequate protection of intellectual property rights; (b) conduct trade reform through modernization in customs and trade practices; (c) strengthen the mechanisms for the implementation of the Plan of Privatization of Public Enterprises; (d) consolidate the tax reform; and (e) develop a new policy framework for the financial sector and the capital market.

The major outputs will include: (i) a new legal framework established for constitution of corporations and protection of intellectual property rights; (ii) customs procedures simplified; (iii) a comprehensive plan defined for privatization of the public enterprises; (iv) tax policies and regulations established; and (v) a new regulatory framework established for the financial sector and capital market, and a study for the future reform of the social security system.

Inputs

UNDP will provide 458.5 man-months of international experts and consultants in the areas of tax policy, finance, arbitration, foreign trade, industrial sector, customs, environment, capital markets, social security and insurance; 716 man-months of national professional staff in fields such as arbitration, intellectual property rights, privatization, tax, administration, informatics and law; subcontracts in the fields of intellectual property, audit, banking, finance and public enterprises privatization; training through fellowships, group training and on-the-job training; equipment; administrative support, local travels; and miscellaneous costs.

Financial data

	\$
Personnel	5 124 600
Subcontract	2 539 700
Training	306 800
Equipment	97 000
Miscellaneous	831 900
Total	<u>8 900 000</u>